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Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 TRSE-00 CTME-00 AGRE-00
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 SP-02
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FM SECSTATE WASHDC
TO AMEMBASSY BOGOTA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: U.S.-COLOMBIAN CONSULTATIONS REGARDING PENDING
COUNTERVAILING DUTY INVESTIGATION ON LEATHER HANDBAGS
FROM COLOMBIA

1. A COLOMBIAN DELEGATION HEADED BY RAFAEL GAMA, DIRECTOR OF PROEXPO (EXPORT DEVELOPMENT FUND) AND ANTOINIO URDINOLA, DIRECTOR OF INCOMEX (FOREIGN TRADE INSTITUTE) MET WITH RICHARD SELF, DIRECTOR OF THE TREASURY DEPARTMENT'S OFFICE OF TARIFF AFFAIRS, AND OTHER U.S. GOVERNMENT OFFICIALS, ON APRIL 3-5 TO DISCUSS TREASURY'S COUNTERVAILING DUTY INVESTIGATION CONCERNING IMPORTS OF LEATHER HANDBAGS FROM COLOMBIA. TREASURY OFFICIALS HELD FOLLOW-UP MEETINGS WITH COLOMBIAN EMBASSY OFFICERS WEEK OF APRIL 10.

2. AFTER DETAILED DISCUSSION, TREASURY AGREED THAT OFFSETS TO THE 12 CAT REBATE WOULD BE PERMISSIBLE IN THE FOLLOWING
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AREAS: (1) MUNICIPAL TAXES (INDIRECT) (2) CUSTOMS DUTIES PAID BY TANNERS FOR CHEMICAL IMPORTS (3) 2 DISCOUNT OF CAT ON STOCK EXCHANGE AT ITS MATURITY (4) 3 OFFSET DUE TO DUTY DRAWBACK CONCEPT UNDER PLAN VALLEJO. ALLEGED PREFERENTIAL FINANCING WAS NOT CONSIDERED A BOUNTY BECAUSE TERM OF LOANS APPEARED IDENTICAL TO COMMERCIAL RATE.

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TREASURY REJECTED GOC ARGUMENTS THAT SOCIAL SECURITY AND OTHER PAYROLL TAXES ARE PERMISSIBLE OFFSETS AS WELL AS PERSONAL INCOME TAX HIKES RESULTING FROM HIGHER EARNINGS GENERATED BY CATS.

3. THE ISSUE OF GREATEST CONTENTION, AND WHICH AT ONE POINT LED TO A VIRTUAL IMPASSE IN RESOLVING THE PROBLEM, RELATED TO THE OPPORTUNITY LOST TO THE EXPORTER BY RECEIVING HIS CAT ON AN AVERAGE OF NINE MONTHS AFTER APPLICATION. THIS "PRESENT VALUE" ARGUMENT WOULD HAVE LED TO A FURTHER OFFSET OF 2 PERCENT COMBINED WITH AN ADDITIONAL OFFSET DUE TO DELAY IN REFUND OF NATTONAL SALES TAX ON EXPORT DUE TO THE HIGH INFLATION RATE IN COLOMBIA. TREASURY REFUSED TO ALLOW THIS ARGUMENT SINCE THERE WAS NO STATUTORY GUARANTEE THAT THE EXPORTER COULD NOT RECEIVE CAT BEFORE THAT TIME. SELF EXPLAINED THAT WHILE WE ACCEPT THE PRESENT VALUE CONCEPT IN PRINCIPLE, THE ADMINISTRATIVE PROBLEMS IN GAUGING ITS EFFECT WOULD BE DEVASTATING. IN ADDITION THE DELAYED PAYMENTS DUE TO THE SLOWNESS IN PROCESSING THE PAYMENT REPRESENT THE COST OF DOING BUSINESS EXPORTERS INEVITABLY BEAR. HE SAID THAT AN ALLOWANCE COULD BE MADE, HOWEVER, IF THERE WERE A GUARANTEE BY THE CENTRAL BANK THAT NO SUCH PAYMENTS WOULD BE MADE WITHIN A MINIMUM PERIOD. SUCH ASSURANCE SUBSEQUENTLY WAS CONVEYED BY TELEX BY THE CENTRAL BANK TO THE EFFECT THAT CATS TO HANDBAG EXPORTERS WILL NOT
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BE PAID FOR AT LEAST 90 DAYS AFTER APPLICATION. A SLIGHT OFFSET OF 5 COVERING THE TIME DEPOSIT RATE (24 PER YEAR) OVER THIS 90 DAY PERIOD APPEARS TO HAVE RESOLVED COLOMBIANS' STRONG FEELINGS ON THIS ISSUE.

4. ACCORDINGLY TREASURY FOUND A BOUNTY OF 5.46 ON HANDBAG EXPORTS. THE EXPORTERS ARE EXPECTED TO PROVIDE A LETTER TO TREASURY REQUESTING A WAIVER OF CVD'S BASED ON A 50 REDUCTION IN SUBSIDY (2.73) ON OR BEFORE MAY 1, 1978, A FURTHER REDUCTION OF 1.37 ON AUGUST 22, WITH FINAL ELIMINATION OF BOUNTY BY JANUARY 1, 1979. GOC (PROBABLY PRO EXPO) WILL PROVIDE LETTER ACKNOWLEDGING THAT IT WILL NOT PROVIDE FULL SUBSIDY PAYMENTS AS PROVIDED BY LAW IN ACCORDANCE WITH EXPORTERS' REQUEST. (AS EMBASSY NO DOUBT AWARE, GOC NOT IN A POSITION LEGALLY TO MAKE ADJUSTMENTS IN CATS AT THIS TIME.) WHILE TREASURY INDICATED IT WILL LOOK UPON THIS ARRANGEMENT FAVORABLY, IT EMPHASIZED THAT A DECISION TO WAIVE WILL NOT BE MADE UNTIL CONSULTATIONS HAVE BEEN HELD WITH PETITIONER AND INTERESTED USG AGENCIES. WHILE THESE CONSULTATIONS WILL BE COMPLETED AND A DECISION REACHED BY NO LATER THAN APRIL 22, WE ASK EMBASSY'S ASSISTANCE

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IN URGING GOC OFFICIALS NOT TO TALK PUBLICLY ABOUT

A POSSIBLE FINAL SOLUTION PENDING THESE DISCUSSIONS.

5. MEETINGS WERE CORDIAL AND FRANK. TREASURY'S ABILITY
TO GRANT OFFSETS REFERRED TO ABOVE ARE ATTRIBUTABLE
TO AN EXCEPTIONALLY WELL-DOCUMENTED AND CAREFULLY PREPARED
PRESENTATION BY COLOMBIANS. WE ARE AWARE THAT COLOMBIAN
TEXTILE INDUSTRY IS LESS INCLINED TO USE ITS GOVERNMENT
IN THE PREPARATION OF ITS CASE. GOC REPRESENTATIVES
WERE WARNED BY SELF THAT ANYTHING SHORT OF THAT PROVIDED
IN THE HANDBAG CASE INCLUDING OFFICIAL GOVERNMENT
ASSURANCES OF AUTHENTICITY OF ALL DATA SIMPLY WILL NOT
BE ALLOWED ABSENT A THOROUGH VERIFICATION PROCESS BY
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CUSTOMS AGENTS. WE URGE EMBASSY TO MAKE THIS POINT WITH
ANDI AND OTHER INTERESTED PARTIES IN TEXTILE CASE. CHRISTOPHER

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